

1 **Q. Please state your name.**

2 A. My name is William R. Griffith.

3 **Q. Are you the same William R. Griffith who has testified previously in this case?**

4 A. Yes I am.

5 **Q. What is the purpose of your surrebuttal testimony?**

6 A. The purpose of my surrebuttal testimony in this proceeding is to address the rebuttal
7 testimony of the Office of Consumer Service (OCS) and the Salt Lake Community
8 Action Program (SLCAP) concerning decoupling and to offer some final comments
9 on other parties' residential rate design proposals.

10 **Decoupling**

11 **Q. In the direct testimony of OCS' witness Ms. Michele Beck, the OCS objects to**
12 **applying the DPU's decoupling proposal only to the residential class. Please**
13 **comment.**

14 A. The Company agrees with the DPU and other parties that its decoupling proposal is
15 appropriate for the residential customer class only. While many of the decoupling
16 mechanisms throughout the country focus on total revenue decoupling, the DPU's
17 decoupling proposal specifically focuses on residential fixed cost recovery.

18 **Q. Why should decoupling focus on residential fixed cost recovery in Utah?**

19 A. The two-part residential rate design with its three-block, summer inverted energy
20 charge rate and extremely low monthly customer charge fails to adequately recover
21 fixed costs in Utah. It also creates significant revenue volatility (as discussed in my
22 rebuttal testimony), and it increases the Company's risk that the fixed costs of serving
23 residential customers will not be recovered.

24 **Q. Why is decoupling not necessary for non-residential customers?**

25 A. The non-residential rate schedules currently contain three-part rate designs that better
26 reflect fixed and variable costs. The inclusion of demand charges and, in some cases,
27 facilities charges in the non-residential rates greatly improves the Company's ability
28 to recover fixed costs.

29 **Q. Ms. Beck questions using the same design in the proposed Rocky Mountain**
30 **Power decoupling mechanism as is used in the Questar mechanism. Are there**
31 **reasons to use a similar mechanism for both utilities?**

32 A. Yes. First, the Questar decoupling tariff ("Conservation Enabling Tariff") has been in
33 place for several years so both regulators and customers have experience with it. The
34 ground work for the mechanism has already been completed, and there is no reason to
35 spend a prolonged period reinventing a new mechanism to address these same issues.
36 Second, both Questar's GS rate and the Rocky Mountain Power's residential rates are
37 two part rates with low monthly fixed charges and volumetric charges. The
38 volumetric charges collect the majority of costs. Neither Questar's nor Rocky
39 Mountain Power's residential rates has a demand charge.

40 **Q. SLCAP witness Ms. Elizabeth Wolf argues there is less justification for**
41 **decoupling for Rocky Mountain Power than for Questar. Do you agree?**

42 A. No. In fact just the opposite is true. There are several reasons why the proposed
43 decoupling mechanism is even more appropriate for Rocky Mountain Power. First,
44 Rocky Mountain Power's \$3.00 monthly customer charge is lower than Questar's
45 \$5.00 monthly basic service fee. Second, Rocky Mountain Power's residential
46 summer rate is steeply inverted while Questar's GS rate is flat for the majority of

47 users and declining for larger users. Third, Questar's GS rate has a temperature
48 normalization adjustment built into the billing calculation while Rocky Mountain
49 Power's rate does not. As a result of each of these differences, Rocky Mountain
50 Power's residential revenues are more volatile, and certainly more sensitive to
51 temperature variations than those of Questar. This puts the recovery of Rocky
52 Mountain Power's residential fixed costs more at risk and makes the proposed
53 decoupling mechanism even more appropriate for Rocky Mountain Power than for
54 Questar.

55 **Q. Both Ms. Beck and Ms. Wolf argue that decoupling may be unfair to small users**
56 **and low income customers. Is this true?**

57 A. No. Again just the opposite is true. Any rate adjustments due to an over collection or
58 under collection of the allowed distribution fixed costs under the decoupling proposal
59 will be passed through to customers on a volumetric basis. As a result large
60 customers will pay a larger share of those adjustments. Given that these adjustments
61 relate to fixed distribution costs, they are costs that do not change with the level of
62 consumption. Due to the low customer charge, small customers pay far less than their
63 cost-based share of these costs. Because the decoupling adjustments will be passed
64 through to customers on a volumetric basis, small customers will continue to pay less
65 than their share of distribution fixed costs, even under decoupling.

66 **Q. Ms. Beck also indicates that, if decoupling were implemented, an ROE**
67 **adjustment might be appropriate. Do you agree with her proposal?**

68 A. No. First of all, cost of capital was resolved in Phase I of this proceeding, and Ms.
69 Beck's suggestion is not appropriate for this rate design portion of the case.

70 Second, Ms. Beck provides no evidence that any risk is reduced by the DPU
71 proposal that justifies an adjustment to allowed ROE. Indeed, the DPU proposal does
72 not reduce any risk that would otherwise be incurred with a cost compensatory rate
73 design--one that provides the Company a reasonable opportunity to recover its
74 prudently incurred costs of providing service. Part of those prudently incurred costs
75 is the fixed cost of providing residential distribution service.

76 In addition, Ms. Beck indicates that the residential class has been close to
77 achieving its cost of service in recent dockets. While this may be true, it is not
78 relevant for this decoupling proposal. Decoupling is not a cost of service issue, it is a
79 rate design issue that aims at assuring that residential customers pay the fixed
80 distribution costs of serving them.

81 **Rate Design**

82 **Q. Do you have any additional comments on the rate design proposals offered by**
83 **the other parties?**

84 A. Yes. While my rebuttal testimony addressed these, it is appropriate to clarify the
85 Company's comments concerning the implementation of the residential rate design
86 proposals in light of the decoupling pilot.

87 As presented in the DPU's proposal, decoupling would be a three year pilot
88 program for residential customers. In addition, at the end of the first year, the
89 Company would be able to recommend continuation, or not, of the pilot program.

90 First, with respect to the customer charge, an increase in the monthly customer
91 charge equal to \$1.45 per month for all residential customers is appropriate to better
92 align costs within the current two-part rate design. With or without decoupling,

93 progress must be made toward achieving a monthly customer charge that more
94 properly reflects the fixed costs of serving residential customers.

95 Second, continued disproportionate increases to the tailblock rate make it
96 increasingly more difficult to recover fixed costs and are not acceptable to the
97 Company. This is true even with the proposed decoupling pilot program because it is
98 narrowly defined to include only distribution costs and has caps on the amounts that
99 can be passed through the mechanism. In addition it does not include any fixed
100 generation, transmission, or substation costs which are also collected on a volumetric
101 basis from residential customers.

102 Further, there has been no evidence presented as to whether and how well
103 customers understand the inverted rate and how they would be impacted and respond
104 to the increases in the tailblock rate proposed by the parties. Before undertaking to
105 make the rate design even more steeply inverted, the Commission should have some
106 evidence of the consequences and customers' understanding of the inverted rate.

107 Third, the aggregate changes to the residential rate being proposed by the
108 parties, particularly in light of the modest 2.20 percent residential rate change ordered
109 by the Commission, are quite extreme and would be difficult to unwind in the future
110 if the decoupling pilot were terminated at the end of its one- or three-year term. In
111 the end, if decoupling is not continued, under the other parties' residential rate design
112 proposals, the Company could end up with a residential rate design that makes the
113 Company worse off than it is today in its ability to recover its fixed costs of serving
114 residential customers.

115 Last, in any pilot treatment program it is important to be able to isolate and

116 assess the independent impact of the treatment on the issue being addressed. In this
117 case, the purpose of the pilot program is to assess the effect of decoupling on the
118 ability to recover fixed costs and the customer response to decoupling. If one then
119 layers on a second treatment (or variable) in the pilot program, i.e., rate design, this
120 will limit our ability to assess the independent effect of decoupling and will result in
121 inconclusive results and most likely a failed pilot program.

122 **Q. Does this conclude your rebuttal testimony?**

123 A. Yes, it does.